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Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 15 July 1978 CG NIDC 78/164C

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Saturday, 15 July 1978.

The NID Cable is for the purpose of informing senior US officials.

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ECUADOR: Presidential Election

25X1 [] None of the six candidates is likely to obtain the required 51-percent majority in Ecuador's presidential election tomorrow. The two top vote-getters will meet in a runoff election in September, and a civilian president could assume office by the end of the year. Although the military government has manipulated early stages of the electoral process, it will probably not intervene further unless an unacceptable candidate makes the second round.

25X1 [] The apparent front-runner is Sixto Duran-Ballen, candidate of a center-right coalition. The US-born and -educated Duran-Ballen, a former mayor of Quito, was an early favorite of the military, which has since had second thoughts about his ability to defeat the candidate of a united and stronger center-left in a runoff. Although he is almost certain to gain a runoff spot, Duran-Ballen probably will have to garner at least 40 percent of the vote on Sunday to ensure success in the second round.

25X1 [] //Once they recognized Duran-Ballen's vulnerability, some government leaders, apparently including President Poveda, turned to twice-defeated former presidential candidate

[REDACTED]

Raul Clemente Huerta. Huerta had declined his Liberal Party's nomination because he was unwilling to run against the formidable populist leader Assad Bucaram, but he consented to run after Bucaram was declared ineligible.//

25X1 [REDACTED] //Through a series of backstage maneuvers by the government and Huerta himself, he succeeded in reclaiming the Liberal Party nomination. These intrigues may have cost him crucial party support, but he still might get enough votes to participate in the runoff.//

25X1 [REDACTED] Bucaram was replaced by his party's deputy leader, Jaime Roldos. Roldos' chances of surviving on Sunday depend upon his success in distancing himself from Bucaram, who is anathema both to the military and to middle-class voters. At the same time, Roldos must retain most of Bucaram's strong support among low-income voters in the populous coastal region. Superior organization by his party--Ecuador's largest--could give Roldos an edge over the late-starting Huerta. No other candidates appear to have any real chance of qualifying for the runoff.

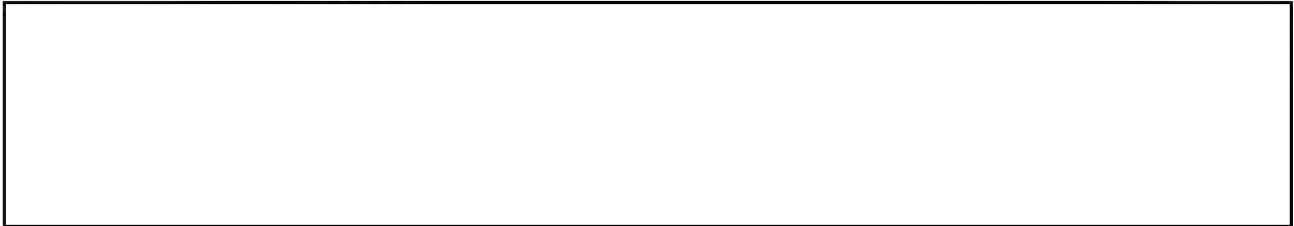
25X1 [REDACTED] Although the election process has been marred by government manipulation, further interference is unlikely unless Roldos qualifies as a runoff candidate. In that event, strong opposition in some military quarters to Bucaram's political heir could spark government action to ensure that Bucaram has no influence over the next administration. [REDACTED]

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USSR: Salt--The View from Moscow

//The Daily prints the summary of a report by the Bureau of Intelligence and Research, Department of State, that is intended to provide the nonspecialist with INR's assessment of the likely Soviet view of the Strategic Arms Limitation Talks. It does not attempt to provide a detailed analysis of the Soviet approach to SALT or of all the advantages and disadvantages that may accrue to both sides.//

//Western critics of the emerging SALT II Treaty focus on the strategic advantages that the Soviets appear to be obtaining from various treaty provisions. When viewed from the Soviet perspective, however, the advantages are far less clear.//

//SALT has not improved the survivability of Soviet strategic forces or precluded the possibility of US technological breakthroughs. Moreover, the nuclear forces of Britain and France, as well as the US forward-based systems--which are capable of delivering nuclear weapons against the USSR--are not controlled by SALT.//

//In looking at the specifics of the SALT agreements, the Soviets are aware, among other things, that they alone have had to dismantle operational strategic systems, that strategic weapons are restricted in both numbers and size (which the Soviets have long used to offset US qualitative advantages), and that major US strategic programs are not greatly inhibited. SALT II will not alter this situation and will require further dismantling of Soviet (but not US) strategic weapons systems.//

//If the Soviets see little to be gained from the explicit limits of the SALT II Treaty, why have they become persistent supporters of it? One answer probably lies in the ongoing SALT process itself, which constantly reinforces the perception of the USSR as the strategic equal of the US.//

25X1 [] //The SALT negotiations support and continually publicize the view that the USSR can successfully compete with the US in a situation in which strategic nuclear delivery vehicles on both sides are equal in number.//

25X1 [] //By bolstering Soviet superpower status, SALT has become one of the chief underpinnings of detente and--in combination with the USSR's ambitious military programs--helps maintain and augment the flexibility that strategic equivalence has given Moscow in the overall conduct of foreign policy.//

25X1 [] //The disadvantages that the Soviets see in SALT presumably are less distasteful to them than the developments they could foresee in the absence of an agreement--in particular, the prospect of unconstrained arms competition with the US and the disadvantages, including costs, that that would entail.

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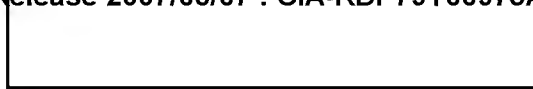
TURKEY: IMF Standby Performance

25X1 [] //Turkey may have jeopardized its next scheduled drawing under an agreement with the International Monetary Fund by violating some conditions of the agreement signed in April. An IMF team is in Turkey for discussions on remedial action.//

25X1 [] //In violation of the agreement Turkey has signed barter trade agreements with Fund member countries and has allowed new trade arrears to accumulate. The central bank is dangerously close to the ceilings set for monetary targets; with inflation running at a 30- to 40-percent annual rate, the ceilings included in the IMF program may be difficult to maintain. Problems with the targets led to a visit in May by the leader of the Fund's negotiating team.//

25X1 [] //The IMF might renegotiate the relevant portions of the agreement but Turkey will probably have to take further difficult steps to make its stabilization plan work. Such steps could include an increase in domestic petroleum product prices, now subsidized by the government, and a further devaluation of the lira, which has declined 30 percent relative to the dollar in the past year.//

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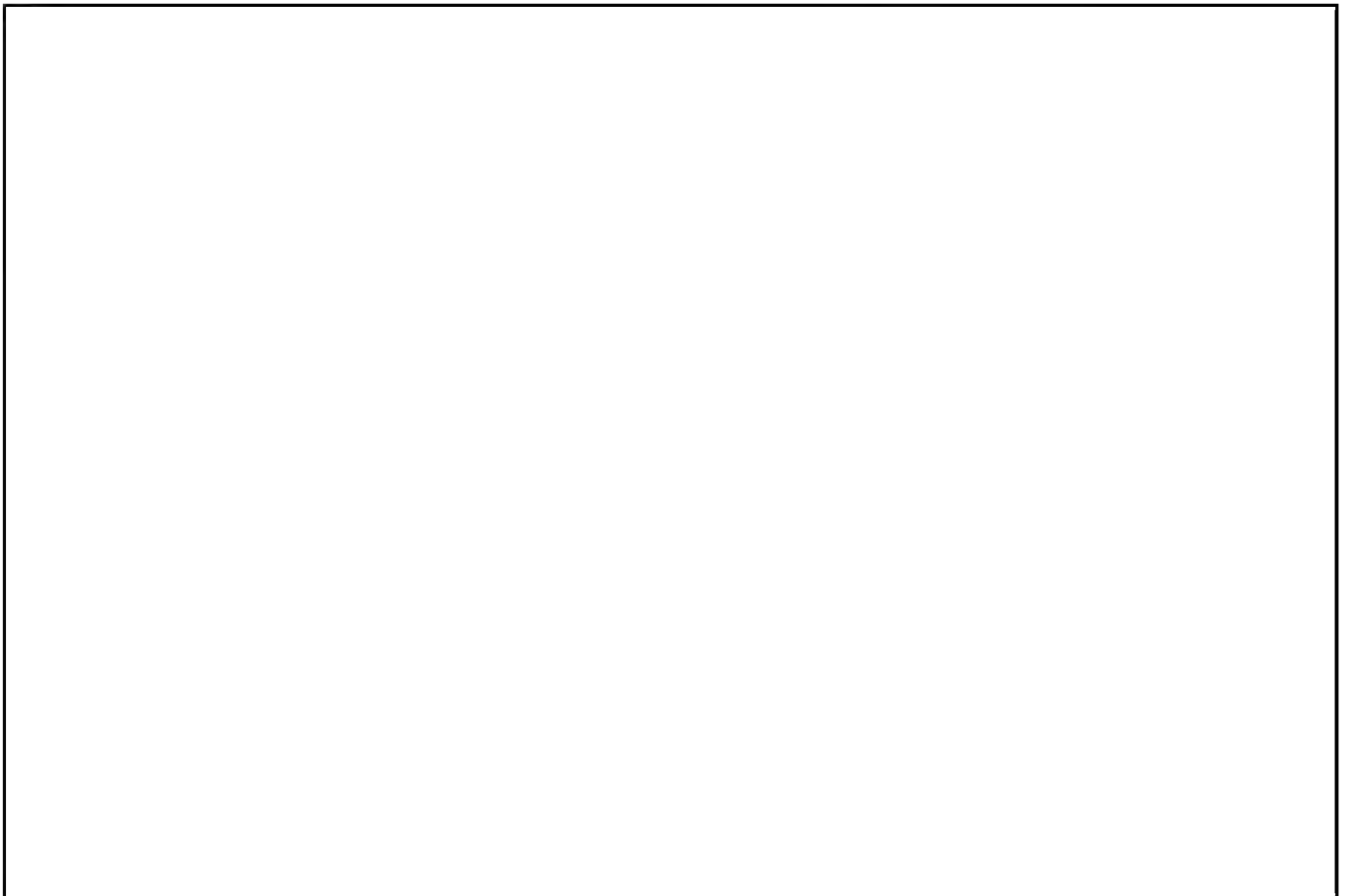
[REDACTED] //Action on petroleum product prices and the exchange rate is vital to curb imports and reduce the government budget deficit. Even if Turkey succeeds in qualifying for the drawing of \$50 million next month, strict compliance with standby conditions is likely to present a continuing problem. [REDACTED]

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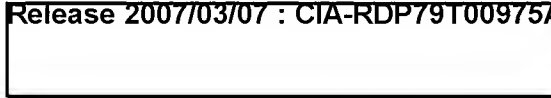


LEBANON: Economic Recovery Hampered

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[REDACTED] The recent escalation of fighting in Lebanon has dealt another blow to Lebanon's economy. Foreign trade has fallen off, and reconstruction efforts in downtown Beirut have again stopped. The poor security situation is continuing to frighten off private investors as well as loan commitments from local banks. The economy is also plagued by high inflation, a burgeoning black market, and smuggling.

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[REDACTED]

[REDACTED] Hopes for accelerated reconstruction, kindled in early 1978 by work on some office and bank buildings in Beirut and the construction of a market complex near the port, have been dashed by the recent fighting. The government's plan to reconstruct downtown Beirut has been postponed at least until September.

[REDACTED] The continued evidence of government weakness and the hopeless security situation are reinforcing the fears of potential lenders and investors. Bank liquidity remains high because bankers, fearing continued fighting and destruction, refuse to lend to all but a handful of elite customers.

[REDACTED] Arab aid has been held back because the Arab states, like domestic bankers, are reluctant to provide Lebanon with funds until the security situation stabilizes. Western donors, on the other hand, have agreed to provide over \$80 million in loans for infrastructure projects over the past month or two, and Beirut was able to negotiate a \$150 million Eurodollar loan before the recent outbreak of hostilities. Lebanese Government guarantees were probably decisive in obtaining these loans.

[REDACTED]

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